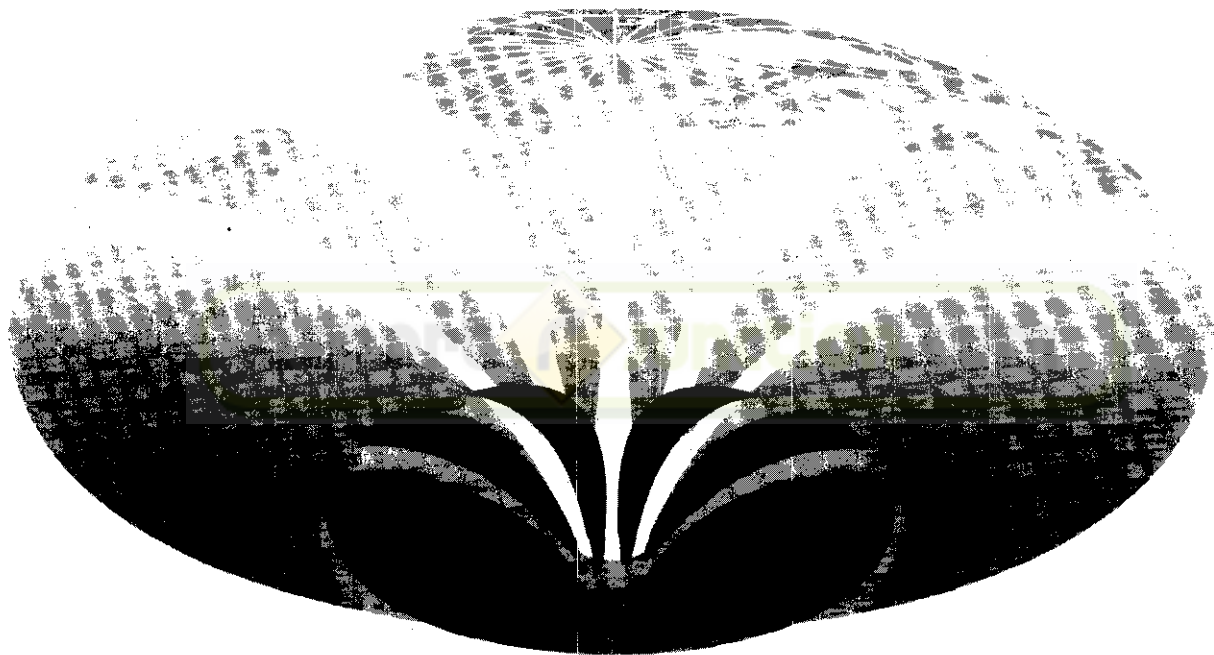


# 31st Annual Report 1999-2000



Engineering



**Indian Petrochemicals Corporation Limited**

P.O. Petrochemicals, Dist. Vadodara 391 346, Gujarat

## BOARD OF DIRECTORS

### WHOLE-TIME FUNCTIONAL DIRECTORS

**Shri Ashok Chawla** w.e.f. 01-03-2000  
*Chairman -cum- Managing Director*  
**Shri K.G. Ramanathan** upto 01-03-2000  
*Chairman -cum-Managing Director*  
**Shri N. Chandar** upto 10-01-2000  
*Director (Finance)*  
**Shri Chinmay Bhattacharya**  
*Director (Marketing)*  
**Shri S.K. Anand**  
*Director (Operations)*  
**Dr. C.M. Lamba**  
*Director (Personnel)*

### PART-TIME OFFICIAL DIRECTORS

**Shri Yashwant Bhawe** upto 07-06-2000  
**Shri Vijay Ranchan**

### PART-TIME NON-OFFICIAL DIRECTORS

**Shri S.M. Datta**  
**Shri D. Basu**  
**Dr. J.S. Juneja**  
**Shri Rajinder Gupta**

### Company Secretary

**Shri A. Parthasarthy Naidu**

## REGISTRARS AND

### SHARE TRANSFER AGENTS

#### MCS Limited

Neelam Apartment  
 88, Sampatrao Colony  
 Alkapuri, VADODARA - 390 007  
 Tel.:(0265) 339397, Fax : (0265)341639  
 Email :mcs.brd@lwbdq.lwbbs.net

### FIXED DEPOSITS & DEBENTURES

#### Scripts Financial Services (Pvt.) Limited

5, Nutan Bharat Society  
 Alkapuri, VADODARA - 390 007  
 Tel.:(0265) 342140 Fax : (0265) 342145  
 Email :scripts@hotmail.com

### Registered Office

P.O. Petrochemicals  
 Dist. VADODARA : 391 346  
 Tele : (0265) 375091 Fax : (0265) 376164  
 Email :naiduap@ipclmail.com

## BANKERS

State Bank of India  
 Bank of India  
 Bank of Baroda  
 State Bank of Saurashtra  
 HDFC Bank  
 Bank of America  
 Citibank N.A.  
 American Express Bank  
 ANZ Grindlays Bank

## AUDITORS

### Kantilal Patel & Co.

Chartered Accountants  
 202, "Paritosh"  
 Ashram Road, Usmanpura  
 AHMEDABAD - 380 013

## BRANCH AUDITORS

### Girish Murthy & Kumar

Chartered Accountants  
 4502, High Point IV, 5th Floor  
 45, Palace Road  
 BANGALORE - 560 001

### Chhotalal H. Shah & Co.

Chartered Accountants  
 Gold Mohur, 1st Floor  
 Shamaldas Gandhi Marg  
 MUMBAI-400 006

### A.K. Barman & Associates

Chartered Accountants  
 85, Lenin Sarani, 1st Floor  
 CALCUTTA - 700 013

### H.K. Chaudhary & Co.

Chartered Accountants  
 1/9-B, Jindal House  
 Asaf Ali Road  
 NEW DELHI - 110 002

## MEETING VENUE

31st Annual General Meeting will be held at 2.00 p.m.  
 on Thursday, September 28, 2000 at the Mahatma  
 Gandhi Nagargruh, Raopura, Vadodara - 390 001.



## NOTICE

NOTICE is hereby given that the Thirty-first Annual General Meeting of the Shareholders of Indian Petrochemicals Corporation Limited will be held at 2.00 p.m. on Thursday, September 28, 2000 at the Mahatma Gandhi Nagargruh, Raopura, Vadodara 390 001 to transact the following business:

### Ordinary Business

1. To receive, consider and adopt the Profit & Loss Account for the financial year ended March 31, 2000, the Balance-Sheet as at that date and the Reports of the Directors and the Auditors thereon.
2. To declare dividend on equity shares.
3. To appoint a Director in place of Shri C. Bhattacharya, Director (Marketing) who retires by rotation and being eligible, offers himself for reappointment.

### Special Business

To consider, and if thought fit, to pass with or without modification (s) the following resolutions as Ordinary Resolution :

4. "RESOLVED THAT Shri Vijay Ranchan be and is hereby appointed as Director of the Company."
5. "RESOLVED THAT Shri S. M. Datta be and is hereby appointed as Director of the Company."
6. "RESOLVED THAT Shri D. Basu be and is hereby appointed as Director of the Company."
7. "RESOLVED THAT Dr. J. S. Juneja be and is hereby appointed as Director of the Company."
8. "RESOLVED THAT Shri Rajinder Gupta be and is hereby appointed as Director of the Company."
9. "RESOLVED THAT, in accordance with the provisions contained in Section 293 (1) (e) and all other applicable provisions of the Companies Act, 1956 (including any statutory modification (s) or reenactment thereof), for the time being in force, the Board of Directors of the Company be and is hereby authorized to contribute to any charitable or other funds not directly relating to the business of the Company or welfare of the employees of the Company in excess of the prescribed limits keeping in view the Company's increased responsibilities towards social, philanthropic and other causes of public utility."

Date : August 19, 2000

Registered Office:

P.O. Petrochemicals

District Vadodara

PIN 391 346

By Order of the Board of Directors  
for Indian Petrochemicals Corporation Limited,

(A. Parthasarthy Naidu)  
Company Secretary

### NOTES

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY AND VOTE INSTEAD OF HIMSELF / HERSELF. THE PROXY NEED NOT BE A MEMBER. PROXIES IN ORDER TO BE EFFECTIVE MUST BE RECEIVED AT THE REGISTERED OFFICE OF THE COMPANY AT LEAST 48 HOURS BEFORE THE ANNUAL GENERAL MEETING.
2. Explanatory Statement, pursuant to Section 173 (2) of the Companies Act, 1956, in respect of special business is annexed.
3. Members / Proxies should bring the attendance slip duly filled in for attending the meeting and are also requested to bring their copy of the Annual Report.
4. Shareholders seeking any information with regard to Accounts are requested to send their queries to the Company at an early date so as to enable the Management to keep the information ready.
5. The dividend for the year ended March 31, 2000 as recommended by the Board, if sanctioned at the meeting, will be paid to those members whose names appear in the Company's Register of Members on September 28, 2000. In respect of shares held in electronic form, the dividend will be payable on the basis of beneficial ownership as per details furnished by National Securities Depository Limited and Central Depository Services (India) Limited for this purpose.
6. The Register of Members and Share Transfer Book of the Company will remain closed from Thursday, September 14, 2000 to Thursday, September 28, 2000 (both days inclusive).
7. Members holding shares in electronic form may please note that their bank details as furnished by the respective Depositories to the Company will be printed on their dividend warrants as per the applicable regulations of the Depositories and the Company will not entertain any direct request from such members for change / deletion in such bank details. Further, instructions if any, already given by them in respect of shares held in physical form will not be automatically applicable to the dividend paid on shares held in electronic form. Members may, therefore, give instructions regarding bank accounts in which they wish to receive dividend, to their Depository Participants.
8. Members are requested to inform the changes, if any, in their addresses along with their Bank Account Numbers, Name & Branch of Banks for remittance of dividend etc. to the Company's Registrars & Share Transfer Agents - MCS Limited, Neelam Apartment, 88, Sampatrao Colony, Alkapuri, Vadodara 390 007, on or before September 14, 2000.



9. Pursuant to the provisions contained in Section 205 (A) of the Companies Act, 1956, as amended, the dividend remaining unclaimed for a period of seven years will be transferred to the Investors' Education and Protection Fund of the Government of India on the following dates:

Financial Year	Dividend	Date
1995-96	Interim	1.04.2003
	Final	6.11.2003
1996-97	Final	7.11.2004
1997-98	Final	10.11.2005
1998-99	Final	10.11.2006

Shareholders who have not encashed their dividend warrants so far, for the aforesaid financial years, are requested to encash the same after due revalidation by Registrars & Transfer Agents - MCS Limited.

#### Annexure to the Notice

#### EXPLANATORY STATEMENT

(Pursuant to Section 173 (2) of the Companies Act, 1956)

##### Item No. 4

Shri Vijay Ranchan, Additional Chief Secretary, Energy and Petrochemicals Department, Government of Gujarat and an officer belonging to Indian Administrative Services (Gujarat Cadre) holds office as nominee of the Government of Gujarat and as such entitled to hold office until the conclusion of the Annual General Meeting.

The Company has received notice together with necessary deposit under Section 257 of the Companies Act, 1956 from the member signifying their intention to propose the appointment of Shri Vijay Ranchan as Director of the Company. The Directors recommend the resolution for members' approval as his nomination is in the interest of the Company. Shri Vijay Ranchan may be deemed to be interested in the resolution as it relates to his appointment. None of the other Directors of the Company is in any way concerned or interested in the resolution. The disclosure to be made in compliance of the Listing Agreement in respect of the above named Director is given in the Annexure forming part of the Directors' Report.

##### Item Nos. 5 to 8

Pursuant to recognition of the Company as a Navratna Public Sector Undertaking, the Company's Board of Management was restructured by the Government of India by inducting S/Shri S.M. Datta, D. Basu, J. S. Juneja (Dr.) and Rajinder Gupta as Part Time Non-Official Directors of the Company and they hold office as part time non-official directors until the conclusion of the Annual General Meeting. The Government of India has recommended appointment of the above named Directors as its nominees for another term of one year and as such they are entitled to hold office until the conclusion of the ensuing Annual General Meeting. The Company has received notice together with necessary deposits under Section 257 of the Companies Act 1956 from the members signifying their intention to propose the appointment of S/Shri S.M. Datta, D. Basu, J. S. Juneja (Dr.) and Rajinder Gupta as Part-time Non-Official Directors of the Company. The disclosure to be made in compliance of the Listing Agreement in respect of the above named Directors is given in the Annexure forming part of the Directors' Report.

The Directors recommend the resolution for members' approval as the association of the above named individuals taking into account their experience and reputation in business circles, would be in the interest of the Company. All the above named Directors may be deemed to be interested in the Resolution as it relates to their appointment. None of the other Directors of the Company are in any way concerned or interested in the Resolution.

##### Item No. 9

As per the provisions contained in Section 293 (1) (e) of the Companies Act, 1956, consent of the shareholders is required to make contribution in a year in excess of Rs. 50,000 or 5% of the net profit of the Company, whichever is higher, to funds not relating to the business or welfare of employees of the Company. Acknowledging the Company's increased responsibility towards social, philanthropic and other causes of public utility, the Directors recommend the resolution for Members' approval. None of the Directors of the Company is, in any way, concerned or interested in the said resolution.

By Order of the Board of Directors  
for Indian Petrochemicals Corporation Limited,

Place : Vadodara  
Dated : August 19, 2000

(A. Parthasarthy Naidu)  
Company Secretary



## DIRECTORS' REPORT

To

The Members

Your Directors have pleasure in presenting the Thirty-first Annual Report on the business and operations of the Company together with management discussions and analysis of performance and the audited statement of accounts for the year ended March 31, 2000 as under:

### PERFORMANCE HIGHLIGHTS

The Company stepped into the new millennium by completing yet another successful year despite operating in a highly competitive environment and subdued industrial climate. There is significant improvement in the overall performance of the Company judged in the context of sluggish market conditions, increase in the prices of naphtha and gas due to rise in crude oil prices, impact of interest charges and depreciation on newly created assets on account of capitalization of gas cracker plant and downstream plants in Gandhar Complex and full effect of capitalization of Nagothane expansion. The major highlights of performance during the year 1999-2000 are as under :

Profit & Loss Particulars	As on March 31, 2000	(Rupees in crores)
		As on March 31, 1999
Gross sales turnover	4920	3850
Sales turnover (net of excise duty)	4060	3115
Other income	112	79
Operating profit	904	565
Interest	388	262
Gross profit after interest, but before depreciation & tax	516	303
Depreciation	319	270
Profit/(Loss) before tax	197	33
Provision for tax	8	4
Net profit	189	29
Capital employed	7415	5250
Net profit to capital employed (%)	2.55	0.55
<b>Less Appropriations</b>		
- Proposed dividend	50	25
- Corporate dividend tax	11	2
- Transfer to general reserves	15	1
- Profit & loss account balance carried to balance-sheet	1563	1528

Dividend of Twenty (20) per cent on the fully paid-up equity capital has been recommended for 1999-2000 which is higher than that declared and paid for 1998-99.

### DISINVESTMENT

The Government of India, pursuant to the Disinvestment Commission's recommendation, has decided to disinvest 25 per cent equity in favour of a strategic partner with management control and has retained Warburg Dillon Read as Advisors for the strategic sale. The first phase of the disinvestment process inviting expression of interest has been completed. It has now reached a stage of calling for bids and selecting the strategic partner. The Government of India, at present has a stake of 59.95 per cent in the company's equity which could be diluted to 51.2 per cent by the year 2002 in the event of full conversion of the Foreign Currency Convertible Bonds issued by the company. The proposed strategic sale, when completed, will reduce the Government stake to 34.95 per cent. The Government of India is following a carefully calibrated policy to improve the Company's competitive position in the long run, protect and promote national interest including the interest of workers and shareholders in the process of disinvestment.

### MANAGEMENT DISCUSSIONS & ANALYSIS OF PERFORMANCE

#### Review of Plant Operations

The manufacturing strategy during the year under review was focused on market-led production. The utilization of assets was optimized, uneconomic production process stopped and cost reduction efforts intensified with encouraging results. The entire production was dovetailed with the market needs. The operating performance of the Company's three complexes at Vadodara, Nagothane and Gandhar, during the financial year ended March 31, 2000 was as under:

#### Vadodara Complex

The Vadodara Complex, during the period under review, produced 4.04 lakh metric tonnes of merchant products as against 4.56 lakh metric tonnes in the corresponding period of the previous year and achieved capacity utilization of 84 per cent, despite ageing plants. The shortfall in production is attributed to shutdown of Dimethyl Terephthalate (DMT), Dry Spun Acrylic Fibre (DSAF) and xylenes plants due to uneconomical product prices. The Low Density Polyethylene (LDPE), Polypropylene Copolymer (PPCP), Polybutadiene Rubber (BR), Monoethylene Glycol (MEG), Linear Alkyl Benzene (LAB) and Benzene plants of the Complex recorded highest ever production and exceeded the targets. The LDPE, PPCP, BR, AF and LAB plants operated much above the name plate capacity whereas Acrylic Fibre (AF), Polypropylene (PP), Polyvinyl Chloride (PVC) plants operated close to name plate capacity. The contribution of Polymer, Fibre & Fibre Intermediates and Chemical group of products in the entire production from the Complex was 70, 5 and 25 per cent respectively.

#### Nagothane Complex

The Nagothane Complex, during fiscal 1999-2000, achieved a record production of 4.33 lakh metric tonnes of merchant products as against 3.63 lakh metric tonnes in the corresponding previous year and registered a growth of 19 per cent. The production from the Complex could have been still higher had there not been a shortfall in supply of C2/C3 gas from ONGC due to mechanical failures at





their end. The IdPE, PP and MEG plants operated much above the name plate capacity, whereas linear low density Polyethylene (lldPE), high density polyethylene (hdPE) and ethylene oxide (EO) plants operated close to name plate capacity. The IdPE, PP, wire and cable compound, MEG and EO plants recorded highest ever production and exceeded the target set for the year. The contribution of polymer, fibre & fibre intermediates and chemical group of products in the entire production from the Complex was 87, 12 and 1 per cent respectively. The overall capacity utilization of the Complex was above hundred per cent as against 85 per cent achieved in the corresponding previous year.

#### **Gandhar Complex**

The Gandhar Complex, pursuant to commissioning of all Phase-I and Phase-II projects and stabilized operations of Phase-I plants, produced 3.40 lakh metric tonnes of merchant products as against 2.52 lakh metric tonnes in the previous year and registered 35 per cent growth. The hdPE, PVC and Caustic Soda plants operated close to name plate capacity and exceeded the target set for the year. The overall capacity utilization of the Complex was 84 per cent as against 89 per cent achieved in the corresponding previous year. The shortfall is attributed to slight delay in commissioning of Phase-II plants caused on account of a minor incidence of fire in the gas cracker plant at the commissioning stage and unviable prices of imported raw material, specifically ethylene. The contribution of polymer, fibre & fibre intermediates and chemical group of products in the entire production from the Complex was 59, 8 and 33 per cent respectively. The Company, pursuant to allocation of additional quantity of gas from ONGC, Hazira, is confident of operating the Gandhar-based plants at their peak capacities and achieve economies of scale.

The combined production of major merchant products from all the three Complexes stood at 11.76 lakh metric tonnes as against 10.71 lakh metric tonnes achieved in the corresponding previous year and registered an overall growth of 10 per cent. The contribution of polymer, fibre & fibre intermediates and chemical group of products in the said production from all the three Complexes, during the year under review, was 73, 9 and 18 per cent respectively whereas the combined capacity utilization of all operating plants in the three Complexes during 1999-2000 was 89 per cent as against 91 per cent achieved during 1998-99. The shortfall is attributed to ageing plants at Vadodara Complex, uneconomical product prices and circumstances beyond control at Gandhar Complex. The polymer plants in all the three Complexes were run at their peak capacities. The excellent capacity utilization in all the three complexes was made possible by resorting to feed stock import and by making effective utilization of the infrastructure / pipeline facilities available at Pimpri and Dahej.

All the three Complexes during the year continued to produce high quality products, meeting global standards, at competitive prices and lived up to market expectations.

#### **Energy Conservation**

The Company is committed to energy conservation at every stage of its operations. The company's efforts in this direction are driven by commercial considerations as well as national priorities in energy conservation policies and practices. Adoption and absorption of energy efficient technologies and use of captive power facilities also led to a more conscious and controlled energy management. The specific energy index during the year under review for the three production Complexes in its totality stood at 4.9 MMKCal per metric tonne. The Nagothane Complex, pursuant to excellent energy management, was honoured with "National Energy Conservation Award" and "Certificate of Merit in Petrochemical Sector" for the year 1999-2000. Efforts to conserve energy is a continuous process in the Company. Workshops on energy conservation themes and energy efficiency campaigns were organized to give wide publicity and create awareness about energy conservation among employees.

#### **Review of Sales & Marketing Operations**

The year 1999-2000 has been a year of resounding success in the wake of increased domestic and international competition, stepping in of new entrants and addition of capacities in the petrochemicals arena. Despite all these challenges, the marketing group provided an excellent platform to service the customers in an efficient and effective manner.

The Company's sales during fiscal 1999-2000, despite witnessing significant capacity additions for all major petrochemical products in the domestic as well as international market, kept pace with the increase in production volume and achieved a new landmark in sales. This was achievable pursuant to competitive pricing, regular monitoring of product-mix to meet market requirements, aggressive marketing, innovative sales policy, value additions, creating new application areas, improved surveillance and thrust on exports.

During the year under review, a record 12.23 lakh metric tonnes of products reached customers spread across the country as against 11.60 lakh metric tonnes sold in the previous year and registered a growth of 6 per cent. The contribution of polymer, fibre & fibre intermediates and chemical group of products in the entire volume of sales was 69, 8 and 23 per cent respectively. The gross sales turnover during the year under review was Rs. 4920 crores as against Rs. 3850 crores achieved in the previous year and registered an increase in the sales value by 28 per cent. The Company, in fiscal 1999-2000, was largely benefited due to a rebound in petrochemical product prices. The overall market sentiment improved both in domestic and international markets. The third quarter of fiscal 1999-2000 witnessed depressed market conditions in polymer products, affecting the turnover and net realization. The market, as a sequel to the increase in crude oil prices, started looking up from fourth quarter onwards.

The International Business Group has performed very well in the year. It encashed every opportunity besides creating new markets. The export revenues, in terms of volume, was 75,000 metric tonnes and Rs. 171 crores in terms of value. The group also achieved highest ever export of hdPE, lldPE and brought the maiden products of Gandhar Complex in the Company's export basket. In view of substantial orders for poly-iso-butylene (PIB) from oil majors like Indian Oil Corporation Limited, Bharat Petroleum Corporation Limited, Hindustan Petroleum Corporation Limited, etc., the Company, for the purpose of value addition to C4 raffinate by conversion into PIB, entered into toll conversion agreements with the parties having PIB manufacturing facilities and has emerged as the single largest supplier of PIB in the Indian market.

The Strategic Marketing Group played a key role in providing vital inputs on marketing trends and helped marketing business groups to formulate strategies based on market intelligence and surveillance. The Company participated in "PLASTINDIA 2000" Exhibition, the second largest in the world. The Company's stall was divided into seven sections depicting corporate history, polymer range of



products, plastics in agriculture and environment, corporate film and corporate web site. The stall attracted a large number of dignitaries and visitors.

#### Financial Review

During the year, the Company achieved an all time high sales turnover of Rs. 4,920 crores as against Rs. 3,850 crores in 1998-99, an increase of 28 per cent. The export turnover was placed at Rs. 171 crores in 1999-2000 as against Rs. 95 crores in 1998-99, an increase of 80 per cent. The gross margin touched Rs. 904 crores and registered an increase of 60 per cent over the previous year. The Company's operations, after providing for interest, depreciation and tax, notched up a net profit of Rs. 189 crores as against Rs. 29 crores in the previous year and registered more than five-fold growth. The operating margin was achieved despite uncertain market conditions, steep increase in raw material prices, impact of interest charges and depreciation on newly created assets at Gandhar and Nagothane Complexes. During the year, the Company raised funds from external sources to the tune of Rs. 550 crores in the form of Private Placement of Bonds, in the nature of Unsecured Non-convertible Redeemable Debentures, issue of Commercial Papers and by increasing the cash credit limit from the existing Rs. 700 crores to Rs. 800 crores. The Company continued to accept deposits from the public under Section 58-A of the Companies Act, 1956. As on March 31, 2000, the Public Deposits stood at Rs. 417 crores representing 5284 deposit holders, out of which deposits to the tune of Rs. 1.32 crores remain unclaimed. There were no overdue deposits. In order to reduce the cost of capital, the focus on treasury operations was to develop a suitable plan for funding the incomplete projects at Gandhar Complex, to resort to hedging transactions for interest rate and currency swap to reduce the cost of debt. The cash and bank balances stood at Rs. 387 crores as on March 31, 2000 as against Rs. 396 crores on March 31, 1999. The capital expenditure of Rs. 636 crores incurred during the year was on account of planned capital investment programmes. The thrust of investment during the year was on commissioning of Phase-II plants at Gandhar Complex, modernization of ageing plants for enhancing the competitiveness of products and services and schemes relating to statutory requirements such as safety, environment, etc.

The net worth of the Company as on March 31, 2000 stood at Rs. 3,022 crores as against Rs. 2,963 crores in the previous year. The fixed assets of the Company comprising gross block and capital work in progress stood at Rs. 8,713 crores, resulting in an increase of over Rs. 608 crores in comparison to previous year. The year-end sundry debtors stood at Rs. 429 crores as against Rs. 385 crores in the corresponding previous year. The increase in the sundry debtors is attributed to increased volume of sales. In terms of gross sales days, sundry debtors as on March 31, 2000 stood at 32 days, pursuant to strict monitoring of the outstandings. The Company was able to access feedstock at international prices which, in turn, facilitated the Company to control the raw material cost and enhance the volume of production from all the Complexes and ensure effective and full utilization of the installed capacities. The other factors that enhanced the Company's performance during the year were, thrust given on supply chain management, improved capacity utilization in all the three Complexes, optimizing energy consumption, maximizing sales revenue in terms of value and volume, strategic positioning of the products in both domestic and overseas market, improvement in realization by optimizing on logistics and overall productivity in all the Complexes. The accounts for the year under review have been prepared on a going-concern basis following the applicable accounting standards, taking proper and sufficient care in the maintenance of accounting records to safeguard the assets of the Company and ensure that the accounts give a true and fair view of the Company's state of affairs at the end of March 31, 2000 and profits of the Company for the said period.

#### Memorandum of Understanding

The Company has been successful in achieving the overall goals set out in the MOU signed with the Government of India for 1999-2000 and the performance has qualified the Company for placement in "Excellent" category.

#### Human Resources Management Review

The Company continued to maintain its track record of harmonious and cordial industrial relations in all the three manufacturing complexes and divisions throughout the year with main thrust on developing and nurturing the participative culture. The manpower strength of the company in all its production Complexes/units based at Vadodara, Nagothane, Gandhar and Rabale, Navi Mumbai, as on March 31, 2000 was 13,854 inclusive of supervisory / non-supervisory employees and company trainees.

#### Training & Development

The Company regards employees as partners in progress and continued to lay emphasis on the development of Human Resources and imparted training to 5,612 employees. The main focus of training activities during the year had been to orient the employees to effectively face the new and emerging challenges emanating from the competitive environment and liberalisation of Indian economy. The Petrochemicals Management Development Institute concentrated on management development programmes specifically designed to suit organizational requirements on a wide spectrum of issues in key functional, developmental and strategic management areas.

#### Presidential Directives

The company has been scrupulously following the Presidential Directives and guidelines issued by the Government of India from time to time governing reservation in services for persons from Scheduled Caste / Scheduled Tribe / Other Backward Class communities and Physically Handicapped persons / Ex-Servicemen etc. Various concessions permissible under the Rules are also being extended to the candidates belonging to these categories.

#### Health Services

The Company is committed to improvement of employees' working conditions and monitoring their health by periodic health checkups. The Company's Industrial Medicine Centre at Vadodara has a full fledged laboratory with computerized auto-analyzer and X-ray unit and is rated as one of the best in the State of Gujarat. The Medical Centre has facilities like laboratory, X-ray, physiotherapy services and an indoor hospital for medical cases, operation theatre, surgical unit, services of visiting specialists in all branches of medicine and multichannel stress-test facility for cardiac evaluation.

#### Sports Promotion

The Company actively promotes sports in all its manufacturing complexes by providing facilities, training and conducting tournaments



in various sports events. The XX Petroleum Sports Control Board Athletics Meet was organised at IPCL sports complex, by the Company, providing an excellent opportunity to the sports persons to come to a common platform for fostering an understanding and feeling of camaraderie. A prestigious One-Day Pepsi Cup International Cricket Match between India and South Africa was held on March 17, 2000 at the Company's magnificent cricket ground.

#### **Community Development**

As a part of social responsibility and as a good corporate neighbour, the Company always strives to demonstrate its concern for society, by taking up projects in the vicinity of its complexes, to improve the quality of life of the people through legally constituted trusts and welfare bodies. Noteworthy efforts in the area of community development work include supply of potable water, contribution towards construction of school buildings, construction of all-weather roads, financial support to *balwadies*, health services, etc. Apart from this, financial assistance is also provided to various voluntary organizations engaged in social uplift. The Company is also contributing a part of the sales-tax incentives every year to Gokul Gram Yojna as per requirements of Capital Investment Incentive to Premier Prestigious Unit Scheme : 1995-2000 and provides employment to local population as per the employment policy of the Government of Gujarat. During the year, a contribution of Rs. 10 lakhs was made by the Company to strengthen the endeavours made by the Government of Gujarat in making Vadodara a model district.

#### **Visit of Parliamentary Committee**

During the year under review, the Company was honoured by the visit of the Parliamentary Committee on 'Papers laid on the Table of Rajya Sabha' and Parliamentary Committee & National Commission on 'The Welfare of Scheduled Castes and Scheduled Tribes'. The visiting Committees appreciated the endeavours made by the Company in complying with Government directives on the above issues.

#### **Contribution to National Cause**

The Company and its employees together contributed a sum of Rs. 50 lakhs during the year towards National Defence Fund to express their solidarity with defence personnel who laid down their lives in a warlike situation in Kargil sector for defending the motherland. The Company, during the year, also supplied 1 million square metres (approximately 20 metric tonnes) polyethylene film for providing shelter to the cyclone affected homeless people of Orissa. The employees also overwhelmingly responded to the appeal made by the Company by contributing a day's salary for rehabilitation of cyclone ravaged victims of Orissa.

#### **Official Language Implementation**

During the year, efforts were intensified for progressive use of Hindi in official work, in accordance with the provisions of the Official Languages Act, 1963 and the Official Language Rules, 1976. Hindi workshops were conducted in all the manufacturing complexes and regional offices at regular intervals. Various competitions on usage of Hindi in official work were also conducted for employees in connection with the Hindi Week Celebrations. The Company's Vadodara Complex was awarded the trophy by the Town Official Language Implementation Committee of Public Sector Undertakings, Vadodara, for effective implementation of the provisions of the Official Languages Act and the Rules made thereunder.

#### **RESEARCH & DEVELOPMENT**

The Company's Research Centre, during the year under review, successfully completed the projects identified by the Research Advisory Committee. The Centre has made considerable progress in developing catalysts and processes for manufacture of alpha olefins. International majors are approaching the Company for developing the alpha olefins technology further. The Centre, through its Catalysts and Adsorbents Division based at Rabale, Navi Mumbai, manufactured 16.3 metric tonnes of dehydrogenation catalyst and contributed Rs. 19.19 crores to the sales income by way of sale of catalyst as against Rs. 13.70 crores achieved in the corresponding period of previous year and registered 40 per cent growth both in production and sales of catalyst. The Division made significant improvement in overall productivity and successfully executed a major order for supply of activated alumina for defluoridation of drinking water. The Research Centre of the Company continued to support the company's business and strengthen its linkages with national and international scientific and academic institutions. During the year under review, the company has spent Rs. 10.60 crores on Research and Development. Value addition through Research and Development efforts has been achieved in many products and processes, ultimately benefiting the customers. The sustained efforts made by the Company's scientists and engineers played a key role in the supply of fluoride-free water in Indian villages by developing catalyst / adsorbent for removal of excess fluoride content from water and modifying the product and its packaging to be more user friendly and cost effective. The Centre aims at continued focus on technological improvements through Research and Development efforts, to facilitate the company to stay ahead in the emerging competitive market place.

#### **SAFETY & ENVIRONMENT**

The Company maintains highest standards of safety. A better understanding of environment and safety-related issues has inspired the Company to take several measures to achieve the desired safety targets. The Company is committed to designing plants with safety features in mind, using safe working procedures and practices, meeting the applicable statutory requirements in all respects, detailed investigation of all accidents, analysing the findings of investigation, keeping abreast with latest international codes, standards and practices, monitoring the plant and ambient environment as well as various effluents-liquid, gas and solid on a continuous basis to maintain a clean and safe environment in and around the plants and conducting periodical medical check-up of employees for early identification of occupational health hazards. Highest order of industrial safety is observed by carrying out third party safety audit and HAZOP studies. Safety emergency drills are conducted to test efficacy of the existing on-site emergency plans and preparedness of employees in challenging situations. Safety weeks are being celebrated and discussions on safety subject are organised and safety banners are displayed to create awareness amongst employees. The Company has won the prestigious Safety Award from British Safety Council for the third consecutive year, achieved Five Star rating under the Safety Management Audit carried out by the British Safety Council and Perfect Record Award from National Safety Council, USA.

The Company has made considerable progress in implementing an Environmental Management system leading to ISO-14001 certification in its manufacturing complexes. The Company as a part of World Environment Day celebrations on June 5, 1999, in association with Gujarat Pollution Control Board, evolved and announced its environmental policy. The Company's environmental policy aims to foster





a green economy and serve as a model to others by maintaining environmental norms as per prevailing statutory standards, conserve natural resources, minimize waste generation in petrochemical operations, developing secured land-fill facility within the Complex for disposal of solid waste, contribute to a green economy for continued improvement and sustainable development in minimizing environmental impacts by technological innovation and research, encourage environmental awareness in employees and society for vigilant hazard management and prevention of pollution. An environmental management system has been evolved and implemented for manufacture of acrylonitrile, ethylene glycol and management of wastes and effluents at Vadodara Complex. After thorough audit, this system has been certified for ISO 14001 for the manufacture of acrylonitrile (ACN) / hydrocyanic acid (HCN), ethylene oxide (EO)/ ethylene glycol (EG), linear alkyl benzene (LAB), olefins, polypropylene (PP), polybutadiene rubber (BR), Utilities and central management of wastes and effluents at Vadodara Complex. An environmental management system has been evolved at Nagothane and Gandhar Complexes and is at different stages of implementation, audit and certification.

#### TECHNOLOGY & ENGINEERING SERVICES

The Technology and Engineering Services Division continued to cater to the technological and engineering needs of the Company. The focus of the Division in all the Complexes, has been to achieve self reliance, reduction in down time, build future plants with the highest efficiency / availability conforming to the best environmental standards and to keep the plants in each of the manufacturing complexes running by laying thrust on preventive maintenance and indigenisation. The Division has developed and implemented strategies for enhancing pipeline capacity, efficiency of operating plants for lower catalyst consumption, focusing on new products/systems development, product improvement in terms of reliability/quality/cost and import substitution.

#### QUALITY MANAGEMENT SYSTEMS

The quality management systems, originally implemented for the manufacture and supply of low density polyethylene (ldPE) and polypropylene copolymer (PPCP) at Vadodara Complex was extended to several other areas. This extended system after rigorous audit, was recertified for ISO 9002 for the manufacture and supply of low density polyethylene (ldPE), polypropylene co-polymer (PPCP), linear alkyl benzene (LAB), polyvinyl chloride (PVC) and polybutadiene rubber (BR). ISO 14001 Certification was also obtained for ethylene glycol (EG), BR, ACN, effluent management facility and polypropylene (PP) plants at Vadodara Complex. The system, apart from benefits in terms of better assurance versus supply compliance, reduction in customer complaints, reduction in usage of nonconforming materials seen during operation of the system, focuses on internal customer orientation with quantified quality objectives. The quality management system at Nagothane implemented for manufacture of ldPE and PP is under recertification and extension of the system to the balance units. The implementation of quality management system at Gandhar is scheduled for completion early next year.

#### INFORMATION TECHNOLOGY & Y2K COMPLIANCE

The Company believes that information technology is poised to play a critical role in the furtherance of its business operations. Therefore, the Company has made significant investment in IT hardware and has set up an integrated on-line information system in all major operating areas. In order to accelerate the acceptance of electronic mail and facilitate sharing of various data, all offices, plant control rooms, warehouses and stores in each of the manufacturing complexes have been provided with connectivity facility for information sharing. The proactive steps taken by the Company ensured that there was no disruption to its computerized information, process control and other systems. All computer systems were capable of recognising and processing data related information beyond December, 31, 1999. The Company took appropriate and effective steps to ensure that all critical systems were Y2K compliant and with the contingency plan in place the company was able to control all possible risks arising out of it. The cost incurred in achieving the year 2000 compliance does not have any significant impact on the financial position of the Company's operations.

#### PROJECTS

The year 1999-2000 witnessed commissioning of Phase-II projects of Gandhar Complex. The commissioning of Gandhar-based projects will enhance the efficiency of the Company's operations through improved economies of scale, increased integration of plant and machinery and also facilitate the Company to take advantage of the availability of cost effective feed stocks including ethane / propane for its existing crackers at Nagothane and Gandhar Complexes. Butene-1 Revamp Project was fully commissioned and increased throughput was achieved on sustainable basis at Nagothane Complex. The Company, in order to supplement the shortfall in feed stock supply from Gandhar gas field for its Gandhar complex, is in the process of implementing on build, own, operate & transfer (BOOT) basis the Hazira-Dahej pipeline, for receiving rich / semi rich gas from ONGC / GAIL, Hazira to IPCL Dahej and returning the lean gas from IPCL Dahej to them.

As a part of long term growth plan, the Company is currently considering upgrading and expansion of existing facilities and construction of new facilities over the next few years. This includes proposals for the following:

- 1) Construction of a new naphtha cracker at Vadodara with a capacity of 3 lakh TPA and mothballing the existing 1.3 lakh TPA of cracker capacity and construction of a new ldPE plant with a capacity of 1.6 lakh TPA.
- 2) Construction of new ACN plant with a capacity of 1 lakh TPA, construction of an Acrylonitrile Butadiene Styrene (ABS) plant with capacity of 1 lakh TPA and construction of single buoy mooring for unloading of naphtha from anchored ships via a submarine pipeline at Gandhar Complex.
- 3) Increasing the capacity of the Nagothane ethylene plant from existing 4 lakh TPA to 5 lakh TPA, setting up alpha olefin plant of 60,000 TPA and downstream units of alpha olefins and expanding the capacity of ldPE/hdPE plants.
- 4) Exploring technological feasibility for increasing the capacity of Nagothane and Dahej based gas cracker sizes upto 6 lakh MTA and downstream expansions.
- 5) Exploring feedstocks options for capacity optimization.



#### JOINT VENTURES

The Company's strategy for growth includes projects by way of joint ventures. The status of joint venture companies promoted by the Company as on March 31, 2000 are as under:

##### **Indian Vaccines Corporation Limited**

At the instance of Government of India, IPCL joined Department of Biotechnology (DBT), Pasteur Merieux Serums & Vaccines (PMSV) for a joint venture project to establish commercial production of injectable polio vaccines in India. As the project was techno-economically not viable, PMSV pulled out of the joint venture and transferred all its shares to Government of India. IPCL has also expressed its desire to withdraw from the joint venture as Polio Vaccine Project has no chances of fruition. The original investment of IPCL in IVCOL as equity is Rs. 6.26 crores. Apart from this, IPCL has granted unsecured loan of Rs. 1.95 crores to strengthen its asset base. The DBT has identified a strategic partner to set up other research projects to revive the Joint Venture's prospects.

##### **GE Plastics India Limited**

The Company's joint venture GE Plastics India Limited, during fiscal 1999-2000 (October, 1999 to March, 2000), achieved a turn over of Rs. 106 crores and suffered a net loss of Rs. 4 crores. The accumulated losses of the Company as on March 31, 2000 stood at Rs. 37.30 crores. On account of an apprehension that disinvestment programme of IPCL may bring a change in the management, the joint venture partner General Electric Plastics B.V. has expressed its desire to purchase the equity held by IPCL in the joint venture. IPCL, after examining the objective behind setting up the joint venture project, has come to the conclusion that it would be better to pull out of the joint venture since it has not contributed any significant returns to the Company. The matter is under discussion and negotiation and the Company, with the approval of the concerned authorities, proposes to divest the shares in favour of General Electric Plastics, the Netherlands, at a fair market value.

##### **Gujarat Chemical Port Terminal Company Limited**

The chemical port being set up by this joint venture company provides an excellent opportunity to IPCL to import supplementary feedstocks like propane, liquefied petroleum gas, naphtha, etc. and also supplement its own captive jetty at Jageshwar near Gandhar Complex, so as to remain cost competitive. The chemical port planned at Dahej in the gulf of Khambat at an estimated cost of Rs. 850 crores has become operational and the port is likely to stabilize by the end of the year 2000. IPCL, by virtue of being the largest equity holder in the joint venture, has played a leading role in this project capable of handling 18 lakh tonnes per annum of liquid chemicals. Besides facilitating trading of chemicals imported from the overseas market, the facility would give flexibility of operation to IPCL in augmenting the feed stock requirement and also facilitate easy handling of export consignments.

##### **Indian Petrovin Limited**

IPCL had proposed to set up the country's largest ACN plant at Gandhar and a joint venture for the manufacture of Methyl Methacrylate (MMA) / Polymethyl Methacrylate (PMMA) based on the byproduct HCN from the ACN plant. The MMA project depended on the fructification of the ACN project. The project has not taken off. Under the circumstances, it has been decided to shelve the MMA/PMMA project and wind up the joint venture company.

##### **Other Joint Venture**

The other joint venture envisaged by the Company for the manufacture of acrylic fibre will take shape once the activities related to setting up of ACN plant at Gandhar Complex are geared up and the project work is set in motion.

#### INVESTOR RELATIONS

The Company continues to accord priority attention to the redressal of investors' grievances. As a result, the Company ensures that the number of outstanding complaints at any given point of time is negligible. The shareholders' instructions are immediately carried out and genuine grievances are redressed within the shortest possible time. The Companies (Amendment) Act, 1999, has introduced through Section 109A, the facility of nomination to share/debenture/deposit holders. This facility is particularly useful for all members holding the shares/deposits/debentures in single name. In cases where the securities/deposits are held in joint names, the nomination comes into force only in the event of death of all the holders. Investors are advised to avail of this facility to avoid the process of transmission by law. However, if the shares are held in dematerialised form, the nomination may be conveyed to the Depository Participant directly in the format prescribed by the Depository Participants.

The delivery of shares of the Company in dematerialised form has been made compulsory with effect from April 5, 1999. In all 8,15,31,549 shares have been dematerialised as on March 31, 2000 and this constitutes 33 per cent of the total subscribed capital of the company. In order to provide more options for investors and to get their shares dematerialised, the Company has made necessary arrangements to admit the equity shares in The National Securities Depositories Limited and The Central Depository Services Limited. Dematerialization prevents problems associated with the physical certificate based system of trading such as bad deliveries, postal thefts, frauds, forgery of share certificates etc. besides offering other benefits like shorter settlement periods, faster transfers and exemption from stamp duties. Citibank N.A., New York, is the International Depository for Global Depository Shares and Foreign Currency Convertible Bonds issued by the Company. The Share Transfer Committee meetings are held on a fortnightly basis and the transfer of shares is effected and share certificates returned within a period of one month. The Company's shares are listed and traded in Ahmedabad, Bangalore, Calcutta, Delhi, Chennai, Mumbai, Vadodara and National Stock Exchanges whereas the Global Depository Receipts (GDRs) and Foreign Currency Convertible Bonds (FCCBs) are listed on Luxembourg Stock Exchange and the listing fees upto the year 2000-2001 have been paid. The bonds / debentures issued by the Company on private placement basis are listed in Wholesale Debt Market Segment of National Stock Exchange Limited.

#### VIGILANCE

The Company has a competent and independent Vigilance Department directly reporting to the Chairman-cum-Managing Director. The Vigilance Department interacts with concerned Departments of the Company and other agencies both for the purpose of conducting investigations into complaints and to ensure follow up action on investigation reports. The focus of attention of the